REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

TECHNICAL UNIVERSITY OF MOMBASA

FOR THE YEAR ENDED 30 JUNE, 2019

TECHNICAL UNIVERSITY OF MOMBASA

AMENDED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2019

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS

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TUM INFORMATION AND MANAGEMENT

(a) Background information

Technical University of Mombasa (TUM) is an ISO 9001: 2015 certified institution of Global Excellence in Advancing Knowledge, Science and Technology. The origin can be traced back to the late 1940's, as the first institution of higher learning to be established in the Coastal region of Kenya. TUM has passed through four distinct phases to reach its current state. It operated as Mombasa Institute of Muslim Education (1948-1966), Mombasa Technical Institute (1966-1972), Mombasa Polytechnic (1972-2007), Mombasa Polytechnic University College through a Legal Notice No. 160 of 2007, and finally awarded the Charter as Technical University of Mombasa on 30 January 2013 (under the Universities Act 2012). TUM is domiciled in Kenya and has Campuses in Lamu and Kwale Counties.

TUM is profoundly committed to upholding the quest to provide higher education as envisioned by the founders. It has four established Faculties and Schools, namely Faculty of Applied and Health Science, Faculty of Engineering and Technology, School of Business and School of Humanities and Social Sciences. The University admits students across the globe, ranging from Kenya Universities and Colleges Central Placement Service (KUCCPS) to Self-Sponsored Programmes (SSP). As a result of demand for TUM programmes, the student population has tremendously grown over the years, and currently stands 7,018 composed of 5,136 males and 1,882 females. TUM also recognizes the importance of human capital in driving the vision of the institution and boasts of 253 teaching staff and 408 administrative staff, giving a total of 661. To ensure programmes are congruent with the market demands, the University incorporates industry, stakeholders and professional bodies in the development and review of the programmes to comfortably offer solutions in the labour market, in the quest of supporting Kenya Vision 2030 and the President Big Four Agendas.

(b) Principal Activities

The principle activities of the University are to provide knowledge/education in science, engineering, business and research to students from diverse backgrounds.

Vision

A University of global excellence in advancing Knowledge, Science and Technology.

Mission

To provide and outstanding programmes by engaging in scholarly reflection, cultivating critical thinking and advancing creative problem- solving skills in the fields of engineering, the sciences, business and related areas that benefit society.

Motto

Endeavour and Achieve (Jiddu Tajiddu).

Strategic Objectives

i) Provide quality academic programmes
ii) Promote research, science, technology and innovation.
iii) Increase access and equity to tertiary and University education.
iv) Provide adequate facilities and infrastructure required by the expanding University.
v) Provide information communication technology solutions to support learning activities and management of the university.
vi) Institute a manpower and human resources management plan that maintains a competent and efficient workforce.
vii) Ensure quality and relevance in all programmes.
viii) Produce graduates with desirable attitudes to confront the various challenges in their lives.
ix) Institute mutually beneficial linkages and collaborations.
x) Market Technical University of Mombasa as a leading brand name in training and innovation in engineering, science and technology
xi) Provide a finance mobilization plan that ensures a sustainable resource base for development and recurrent expenditure.

(c) Key Management

Technical University of Mombasa day-to-day management is under the following key organs:

- Council
- Vice Chancellor
- Management
- Senate

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	VC	Prof. Laila U. Abubakar
2.	DVC(AFP)	Prof. Joseph O.Rasowo

No.	Designation	Name
3.	DVC(ARE)	Prof. Peter Gichangi
4.	Finance Officer	CPA. Dalton Mwaghogho James
5.	Registrar (AA)	Dr. Paul Njihia Gichuhi
6.	Registrar(AP)	Dr. Kilungu Matata
7.	Registrar (PRI)	Dr. Michael Saulo
8.	Head of Procurement	James Odhiambo

(e) Fiduciary Oversight Arrangements
Finance, Planning and General Purpose Committee

Membership: -

i) Deputy Vice Chancellor (AFP)
ii) Registrar (AP)
iii) Finance Officer
iv) Legal Officer,

Terms of Reference: -

1. Manage the University's entire finances and recommend to the Council for approval, the University's annual budget and certain items of major expenditure.
2. Manage the University's physical planning and development including physical projects.
3. Be responsible for:
   i) Investments
   ii) Ensuring the preparation of proper books and records of accounts of income and expenditure, assets and liabilities of the University.
   iii) Fund raising for the university
   iv) Receiving, considering and recommending proposal of physical development plans
   v) Considering of plans and budgets for recurrent and development expenditure
   vi) Monitoring of construction projects in progress.

Human Resource Management Committee

Membership: -

i) Deputy Vice Chancellor(AFP)
ii) Registrar (AP)
iii) Finance Officer
iv) Legal Officer
v) Human resource Manager.

Terms of Reference

i) Advise the Council on Schemes of Service and Terms and Conditions of Service for Staff.
ii) Advise Council on Staffing requirements and Recruitment of Senior Officers.
iii) Receive and Consider from Management disciplinary cases and appeals.
iv) Advise the Council matters relating to the welfare of staff and students of the University.

Audit, Risk and Compliance Committee

Membership: -

i) A Chairman appointed by Council from among its members.
ii) The Principal Secretary in the Ministry responsible for Finance.
iii) Three members appointed under section 36(1) (d) of the Act.
iv) Internal Auditor who shall be Secretary to the committee.

Terms of Reference

i) Receive and consider reports on University internal and external finances and submit its findings.
ii) Review financial statements prior to approval by the council.
iii) Ensure effectiveness of internal Audit function.
iv) Advice on systems of internal controls and their effectiveness ensure that there are effective measures in place to mitigate against identified business risks.

Sealing and Statute Committee

Membership:

i) A Chairman appointed by Council from among its members.
ii) The Principal Secretary in the Ministry responsible for University Education.
iii) Two members appointed under section 36(1) (d) of the Act.
iv) Vice Chancellor who shall be secretary to the committee.

Terms of Reference

i) Authorize on behalf of Council the application of the University Seal documents.
ii) Receive and recommend for approval/amendments of Statutes.
iii) Recommend the review of statutes of the University from time to time and whenever necessary.
iv) Advice and or perform on any other matter of the university as may be mandated by the Council.

TUM INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

Technical university of Mombasa.
Tom Mboya Avenue,
P.O. Box 90420-80100,
Mombasa, KENYA

(g) Entity Contacts

Telephone: (254) 41-2492222/3/4
Fax:254) 41-2495632
Mobile: (254) 0724 955377/0733955377
E-mail: info@tum.ac.ke
vc@tum.ac.ke
Website: www.tum.ac.ke

(h) TUM Bankers

i) National bank of Kenya.
TUM Branch
P.O. Box 576-80100
Mombasa.

ii) Co-operative Bank Limited
Nkrumah Branch
P.O. Box 87771-80100
Mombasa.

iii) Standard Chartered bank Limited.
Treasury Square Branch
P.O. Box 90170-80100
Mombasa.

iv) Kenya Commercial Bank
Mvita Branch
P.O. Box 83534-80100
Mombasa.

v) Family Bank
Jomo Kenyatta Branch
P.O. Box 97268-80100
Mombasa.

vi) Equity Bank
Digo Road Branch
P.O. Bank 90016-80100
Mombasa.

(i) Independent Auditors
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

TUM COUNCIL MEMBERS

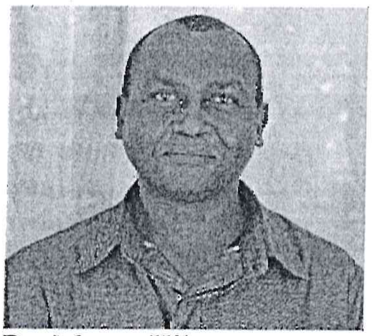
 DR. ROBERT.O. ARUNGA D.O.B.18/12/1942	Dr Robert Arunga has a PhD in Food Science (Lipids Analysis), Post graduate studies Biochemistry and B.A. Chemistry, Biology, Maths.
 DR.FRANCIS JOSEPH BWIRE D.O.B. 21/5/1979	Dr. Francis Bwire has a PhD in Business Administration (strategic Management), Master of Business Administration (Finance) and BA, Economics. He Chairs Audit committee.
 Ms. Beatrice Kosgei – D.O.B:6/12/1963	Beatrice holds a Master of Laws, Bachelor of Laws, Diploma in Law, Higher Diploma in Human Resource Management & Certificate in International Trade & Development. She is currently the Company Secretary of Geothermal Development Company Limited. She previously worked for Kenya Trade Network Agency, Agricultural Development Corporation, Liberty Assurance Company, Kosgei and Company Advocates, Jim Choge and Company Advocates, Kenya Industrial Estates, and the Attorney General's Chambers. She has a wide experience in litigation, conveyance, commercial and corporate law, company secretarial practice and Management. She is a Certified Public Secretary and an advocate of the High Kenya. She Chairs Human Resources Management.

 Mrs. Alice Mwololo Representative National Treasury. D.O.B: 6/1/1966	Mrs Mwololo holds an M.A. and B.A. in Economics, and also a PGD in Development Planning from the University of Nairobi. She is currently a Chief Economist in the Budget, Fiscal and Economic Affairs Directorate at the National Treasury. She is specialized in trade and regional integration policy and has wide experience in negotiations and implementation of the East African Community Customs Union and the Common Market Protocol. She previously worked in the Ministry of Planning and National Development as an Economist in rural development. In addition, she represents the National Treasury in the National Committee on World Trade Organization negotiations and the EAC-European Union Economic Partnership negotiations
 LUCY MULILI D.O.B.11/9/1968	Ms Lucy Mulili has Masters Contemporary Diplomacy, Bachelor of Arts in History and Sociology and Diploma in Public Administration.
 Ms. Jane Mbagi Mutua D.O.B.19/2/1972	Ms Mutua, has a Master's in Education, Bachelor of Education. She is a researcher and development practioner. Currently she is a Technical Education Specialist with Save the children Kenya programme. She Chairs Sealing and Statutes committee.

 Mr. Hamid Abiyo Morowa Council Member D.O.B:17/04/1948	Mr. Hamid, has a Masters in Agricultural Economics, a Bachelor of Science in Agriculture, a Diploma in Range Management. He has a wide range of skills gained in a span of 30 years working both in Government and Non-Governmental organisations in Project Management, Resource utilisation and planning and budgeting.
 Arch. Alfred O. Mango Council member D.O.B: 07/11/1967	Arch. Mango, has a MSc. in Architecture, a Higher Diploma in Mechanical Engineering and a Diploma in Mechanical Engineering. He is a member of the Board of Registration of Architecture and Quantity Surveyors (BORAQS). He is a council member of Architecture Chapter. He is the Chief Executive Officer of Arch Point Consulting Architects. He Chairs the Finance and General Purposes committee.
 Prof. Laila Uweso Abubakar Vice-Chancellor/ Council Secretary	Prof Laila Uweso Abubakar has a PhD in Bio Chemistry, Masters of Science in Biochemistry & Chemistry and a Bachelor of Science (Biochemistry & Chemistry). She serves as Secretary to the Council.

TUM MANAGEMENT TEAM

 Prof. Laila Uweso Abubakar Vice-Chancellor/ Council Secretary. D.O.B: 13/12/1961	Prof Laila Uweso Abubakar has a PhD in Bio Chemistry, Masters of Science in Biochemistry and a Bachelor of Science (Biochemistry & Chemistry). She Chairs the Management Committee.
 Prof. Peter Gichangi Deputy Vice Chancellor (Academic, Research & Extension).	Prof. Peter Gichangi has PhD in Obstetrics & Gynaecology, MSc Obstetrics & Gynaecology, BSc in Human Anatomy and Basic Medical Degree-MBCHB.
 Prof. Joseph Ouma Rasowo Deputy Vice Chancellor (Administration, Finance & Planning).	Prof. Joseph Ouma Rasowo has PhD in Aquatic Ecology/ Aquaculture, MSc in Marine Ecology & Aquaculture, MBA in Strategic Management, BSc in Botany/ Zoology.

 Dr. Gichuhi Paul Njihia Registrar Academic Affairs	Dr. Gichuhi Paul Njihia, has PhD in Pharmaceutical Synthetic Chemistry, MSc in Analytical Chemistry and BSc.in Chemistry.
 Dr. Matata Kilungu Registrar Administration and Planning	Dr. Matata Kilungu, has PhD in Human Resource Management, MBA in Human Resources Management, Post Graduate Diploma in Education and Bachelor of Commerce.
 CPA Dalton Mwaghogho James Finance Officer.	CPA Dalton Mwaghogho James has MBA (Strategic Management), BSc(Hon) Applied Accounting, is a Fellow Chartered Certified Accountant, Certified Public Accountant of Kenya, and a Certified Secretary of Kenya.

CHAIRMAN'S STATEMENT

The Technical University of Mombasa (TUM) has passed through four transitional levels. The various phases it has undergone so far reflect the Government of Kenya's concerted efforts in promoting education and training in line with the dynamic technological and industrial growth in Kenya and in Africa.

The transition of the University has seen the growth of the university programmes, the staff and student population, physical infrastructure and ICT. The increase of these resources without a balanced growth in financial support from the exchequer has however come with a number of challenges. It has been difficult to provide commensurate teaching resources with the growth in student numbers while the university has also not been able to concentrate on the key areas of research and technology transfer.

While the mandate of the university provides for continuous growth to enhance higher education across the country, there have been challenges related to the infrastructural developments as the government has not been providing the requisite capital expenditure. More so as the University broke ground for the construction of the School of Medicine. The Program will make TUM the first University along the Kenyan Coast to offer degree courses in medicine.

The 2018-2019 financial statements reflect the financial status of the university, taking recognition of the increase personal emoluments that were implemented towards the end of the year as a result of the collective bargaining agreement between the public universities and the government through the Ministry of Education, Science and Technology. Sustaining the increase personal emoluments will however be a challenge unless the government increases its financing for recurrent expenditure.

The University Council looks forward to supportive collaboration with the government to ensure continued development of the Technical University of Mombasa as provided in its Charter. In addition, the plans to initiate Public Private Partnerships (PPPs), which will open opportunities for growth in physical infrastructure to take care of student growth and the upcoming School of Medicine.

RoArunga
5/11/2019
Council Chairman

Name:Dr Robert Arunga

REPORT OF THE VICE CHANCELLOR

Technical University of Mombasa (TUM) has grown over the years to be one of the biggest institutions of higher learning with clear mandate that is aligned to the country's Vision 2030, The Big Four Agenda, the Sustainable Development Goals as well as the industry demands. As part of the expansion strategy, TUM has developed market driven programmes in the fields of Business, Engineering, Science and Technology that will offer highly skilled workforce who can compete in the global economy.

Currently, the University is offering over a hundred and forty academic programmes in diverse fields and continues to develop new programmes at both undergraduate and postgraduate level. In addition, TUM has constructed the School of Medicine to train and bridge the deficit for competent medical practitioners required to realize the Universal Health Coverage plan. In order to address the demand on the Kenyan labour market for qualified specialists with practice-oriented education, TUM has partnered with GIZ and various industries and developed Competency-Based Education and training (CBET) programmes.

TUM is committed to maintaining quality and standards in providing services to the University community and stakeholders. Subsequently during the year, the University spent KShs 3.1 Million on ISO 9001:2015 certification to ensure the general concept and objectives of quality are understood by all. Furthermore, the University management in consultation with the Council, has disbursed KShs 4,386,544 for capacity building of both academic and administrative staff. To preserve our competitiveness and improve our visibility, the University has strengthened the Research Partnership and Innovation office to facilitate delivery of our core mandate. This has resulted in new linkages and research collaboration within the region and internationally. TUM has developed and implemented a number of work place policies to affirm good governance. Towards this end, the University reviewed the Financial Management and Academic policies to ensure effective and efficient resource mobilization and utilization. These efforts led to an increase in revenue collection in 2018/2019 FY, thus drastically reducing our previous financial deficit. TUM has also successfully implemented the gender and equality mainstreaming, alcohol and drug abuse prevention and intervention, HIV-Aids awareness, anti-corruption, legal and environmental sustainability policies.

Labubakar 5/11/2019

Vice Chancellor/Council Secretary
Name: Prof. Laila Uweso Abubakar

CORPORATE GOVERNANCE STATEMENT

Technical university of Mombasa, a public university in Kenya, is committed to undertake its affairs in a responsible and transparent manner. The university takes recognition of the various stakeholders, the funding agencies, and the regulations thereto, relating to its obligations as provided in the University Charter, 2013, and the Universities Act, 2012. For the 2018-2019 financial year, the University has been in compliance with all the provisions set out in the university Act, 2012, in so far as they relate to Universities.

The functions and responsibilities of the Council are as provided for in the Statutes. These responsibilities relate to the proper conduct of university business, policy development, strategic planning, monitoring effectiveness and performance, finance, audit, estate management, human resource management, equality and diversity, student welfare, health and safety and the appointment of the University Officers. The Council has the following committees: Executive Committee; Audit Committee; Finance Planning and General Purpose Committee; Human Resources Management Committee; and Sealing and Statutes Committee. All sub committees meet as per the University Almanac and submit reports to the Council.

As the Council, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the Council by section 36 of the Universities Act, 2012, and section 18 and 19 of the University Charter, 2013.

The University Council is committed in ensuring financial sustainability; enhancing the student experience; and continuously building its research excellence in support of the country and regional economy. The University has managed its budgets well, increased the teaching and learning facilities, developed new market driven programmes and is involved in technology transfer in its s key areas of strength of Engineering, Science and Technology.

The day to day management of the university is vested on the Senate and Management Board. The functions of the Management Board and Senate are as provided in the University Charter and the University Statutes. Meetings of the Senate include Regular Senate, Senate Board of Examiners, Special Senate and Extraordinary Senate. The Vice Chancellor of the University is the Chairperson of both Senate and Management.

MANAGEMENT DISCUSSION AND ANALYSIS

In the financial year ended 30 June, 2019, Technical University of Mombasa received from the Government of Kenya a total of KShs. 825,247,242 for recurrent expenditure and was able to generate Appropriation in Aid of KShs. 476,823,177. This supported employees, the student population and the Academic Programmes focusing on Business Administration, Management Sciences, Hospitality and Tourism, Liberal studies, Applied and Health Sciences and Engineering.

In the year under review the major obligation of the university was to settle outstanding supplier's bills and Part Time Lecturers claims brought forward from prior period, maintenance of physical facilities and acquisition of teaching materials. In this regard, the University received KShs. 106,397,027 as supplementary budget from the government to offset these.

In the same period the University received Kshs 104,750,000 to cater for the Development Expenditure. These funds were used for the construction of School of Medicine project, which was ongoing. Technical University of Mombasa strives to comply with all statutory requirements. All payments for taxes deducted from staff salaries and suppliers, pension, NHIF contributions and NSSF and other staff deductions are always remitted on time to the relevant bodies. At the end of this financial period, some payments were still outstanding but they were settled in the succeeding month and within the stipulated time frame.

In this financial year, School of Medicine, Kwale Campus hostels and Customer Care projects are ongoing. These projects are viable and support the "Big Four Agenda" as they will avail the necessary infrastructure to enable our students get the necessary training that will make them better citizens upon graduation.

Within the financial year, the University further overseeing the construction of three Technical Training Institutions in Coast region namely; Kinango, Lunga-lunga and Fayya. Two of these institution, namely Kinango and Lunga-lunga have been completed and handed over to their mentoring institutions. These projects are in line with Government priorities of increasing opportunities of access to higher education, developing high level human resources capacities in line with MTEF (Medium Term Expenditure Framework).

Technical university of Mombasa, like any other institution is exposed to a variety of risks associated with day to day operations. They include credit, liquidity risks and changes in market prices.

Credit Risk:

TUM has a loan with Barclays Bank of Kenya. The outstanding loan balance as at the end of the financial year was KShs. 27,150,000 while as at 2 July 2019 it stood at KShs 22,625,000. There are five (5) quarterly instalments remaining, the last to be paid in October 2020.The loan interest is at 13 % (which is CBK rate plus 4%). However, TUM does not have the risk of default on loan repayments as it has the fees collection account with Barclays used purposely for this loan repayment.

In this financial year the outstanding amount from student's fees is KShs. 72,278,543. The management is targeting to ensure that all students have nil balance by putting in place controls by not allowing any student to sit for examinations without clearing all the fee balances as per the Finance Management policy.

Liquidity Risk:

Other than Government grants received from the Ministry of Education through monthly capitation, TUM is able to meet its short term financial demands by transferring funds from fees collection accounts in various reputable banks to its current account to meet its daily operational needs.

As at 30 June 2019, Technical University of Mombasa had pending bills amounting to KShs. 312,864,249 arising from unpaid supplier's invoices, unpaid Part Time Lecturers claims and other service provider's dues. Though the financial resources are limited as compared with the University's daily needs, the university is committed to reducing these pending bills over time.

Technical University of Mombasa has no major financial improbity as per internal Audit/ TUM Council Audit committee, external Auditors or any other National Government agencies providing oversight. Additionally, there are no other governance issues among the Council members and top management including conflict of interest.

REPORT OF THE COUNCIL

The Council submit their report together with the audited financial statements for the year ended 30 June 2019 which show the state of the Technical University of Mombasa affairs.

Principal activities

The principal activities of the entity are teaching and research.

Results

The results of the entity for the year ended 30 June 2019 are set out on page 1 to 5

Council

The members of the Council who served during the year are shown on page viii to ix.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act, regulatory entities shall remit into Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. TUM did not make any surplus during the financial year and hence no remittance to the Consolidated Fund.

Auditors

The Office of the Auditor General is responsible for the statutory audit of the Technical University of Mombasa in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

RoArunga
5/11/2019
....
Council Chairman

Name:Dr Robert Arunga

STATEMENT OF COUNCIL RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Council to prepare financial statements in respect of Technical University of Mombasa, which give a true and fair view of the state of affairs of the Technical University of Mombasa at the end of the financial year and the operating results of the Technical University of Mombasa for that year. The Council are also required to ensure that the Technical University of Mombasa keeps proper accounting records which disclose with reasonable accuracy the financial position of Technical University of Mombasa. The Council is also responsible for safeguarding the assets of the Technical University of Mombasa.

The Council is responsible for the preparation and presentation of the Technical University of Mombasa financial statements, which give a true and fair view of the state of affairs of the Technical University of Mombasa for and as at 30 June 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the Technical University of Mombasa financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Council is of the opinion that the Technical University of Mombasa financial statements give a true and fair view of the state of University's transactions during the financial year ended 30 June 2019, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Technical University of Mombasa financial statements were approved by the Council on ....5/11/... 2019 and signed on its behalf by:

RArunga........................	Kubah................................5/11/2019
Council Chairman	Vice Chancellor/Council Secretary
Name: Dr. Robert Arunga	Name: Prof. Laila Uweso Abubakar

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR GENERAL

Enhancing Accountability

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Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF MOMBASA FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Technical University of Mombasa set out on pages 1 to 54, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Technical University of Mombasa as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Universities Act, 2012.

Basis for Qualified Opinion

1.0. Presentation

The statement of financial performance for the year ended 30 June, 2019 has restated amounts. However, no Notes were provided to explain the restated amounts. This is contrary to International Public Sector Accounting Standards No.3 which provides that correction is made by restating the comparative amounts for the prior period(s) in which the error occurred. Further, the statement of changes in net assets for the year reflect a prior year adjustment amortization of Kshs.604,108 which does not have a Note to the financial statements to explain what it represents.

Consequently, the accuracy of the financial statements cannot be ascertained as they do not comply with the International Public Sector Accounting Standards.

2.0. Property, Plant and Equipment

2.1. Land in Dispute

As previously reported, the property, plant and equipment balance of Kshs.3,093,832,849 as at 30 June, 2019 includes a parcel of land LR No. Mombasa/Block/X1/386 valued at Kshs.200 million of which ownership is in dispute and the matter is on-going before a Court of Law. A review of the matter in the current year indicates that the status had not changed. Although the University has a title to the property, it has not been possible to confirm the value on the property due to the dispute.

2.2. Library Detective System

As previously reported, included in property, plant and equipment balance of Kshs.3,093,832,849 is work-in-progress balance of Kshs.354,986,585. The work-in-progress includes an advance payment of Kshs.1,802,697 for library detective system. According to the agreement dated 12 February, 2014, the work was supposed to be completed in one and a half (1½) months from the date of signing the agreement. An audit review carried out on 20 August, 2019 confirmed that the system had been returned to the supplier due to defects. However, the supplier failed to replace it and could not be traced. In addition, available records indicated that the University tried to engage a private investigator to trace the supplier but the cost implication was deemed beyond the amount already advanced to the supplier, hence the plan was shelved.

2.3. Perimeter Fence

The work-in-progress balance of Kshs.354,986,585 includes an expenditure of Kshs.6,930,750 for the construction of a perimeter fence on Gotani land in Kaloleni. However, and as previously reported, records available indicate that the project was abandoned due to the inability by the University to process ownership documents for the land donated by Kaloleni NG-CDF. It was not clear why the University commenced fencing the parcel of land to which it had no title. In addition, the probable costs resulting from legal suits for termination of the contract have not been quantified and determined in the financial statements.

2.4. Project Management Fees

Further, the work-in-progress balance of Kshs.354,986,585 includes payments to various university staff amounting to Kshs.17,425,066 referred to as the project management fees. However, it is not clear and the Management has not explained the basis for the payments and supporting documents were not availed for audit verification.

In the circumstances, the ownership, accuracy, propriety and completeness of property, plant and equipment amount of Kshs.3,093,832,849 as at 30 June, 2019 could not be confirmed.

3.0. Receivables from Exchange Transactions

3.1. Student Debtors

As reported in the previous year, included in the receivables from exchange transactions balance of Kshs.46,569,410 as at 30 June, 2019 are student debtors balances of Kshs.72,278,543 compared to Kshs.131,794,350 reported in the previous year. However, analysis of these debts revealed that an amount of Kshs.66,450,126 or 92% had been outstanding for over four hundred and eighty (480) days. The Management has not satisfactorily explained why the student debtors have remained uncollected for over a year and what measures have been put in place to recover these debts.

3.2. Guest Accommodation Debtors

The receivables from exchange transactions balance of Kshs.46,569,410, as disclosed in Note 19 to the financial statements, includes an amount of Kshs.7,282,107 under guest accommodation debtors. However, analysis of these debts revealed that an amount of Kshs.7,209,286 or 99% had been outstanding for over four hundred and seventy-seven (477) days. Management has not explained why the guest debtors have remained uncollected for over a year and what measures it has put in place to recover these debts.

3.3. TUMEL Debtors

Included in the receivables from exchange transactions balance of Kshs.46,569,410 as at 30 June, 2019 are Technical University of Mombasa Enterprises Limited (TUMEL) debtors of Kshs.6,000,000. However, debt contract agreement, request and authority to enter in borrowing arrangements were not provided for audit review.

Consequently, the validity and propriety of the TUMEL debtors balance of Kshs.6,000,000 as at 30 June, 2019 could not be ascertained.

3.4. Provision for Doubtful Debts

As reported in the previous year, the balance of receivables from exchange transactions of Kshs.46,569,410 as at 30 June, 2019 is net of general provision for bad and doubtful debts amounting to Kshs.69,089,721 which is 60% of the outstanding accounts receivables including staff advances totaling to Kshs.142,454. However, there is no specific provision for the impairment of debts that have been outstanding for a very long period which may never be recovered. A review of the matter in the current year indicates that the Management has not set a specific provision for the long outstanding debts. Consequently, the adequacy of the provision of Kshs.69,089,721 as at 30 June, 2019 is doubtful.

4.0. Receivables from Non-Exchange Transactions

As previously reported, receivables from non-exchange transactions balance of Kshs.114,899,735 as at 30 June, 2019 includes other debtors amounting to

Kshs.1,398,625, out of which Kshs.1,331,000 is a receivable from staff as a surcharge in respect of payroll fraud perpetrated by the concerned staff. However, the total amount that could have been lost due to the fraud and hence recoverable from the concerned staff had not been quantified as investigations had not been carried out and a report availed for audit review.

Consequently, the accuracy and completeness of other debtors amount of Kshs.1,398,625 as at 30 June, 2019 could not be ascertained.

5.0. Cash and Cash Equivalents

5.1. Debit Bank Balances

As disclosed in Note 24 to the financial statements, the statement of financial position reflects an amount of Kshs.177,077,783 under bank balances. However, the bank balances are net of overdrawn balances of Kshs.1,598,328 in two (2) bank accounts. This is contrary to the International Public Sector Accounting Standard No.1 on presentation, which prohibits the netting of liabilities against assets.

Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.177,077,783 as at 30 June, 2019 could not be confirmed.

5.2. National Bank – Current Account No. 1

Included in the bank balance of Kshs.177,077,783 is an amount of Kshs.1,106,746 in the National Bank Current Account No.1. However, the supporting bank reconciliation statement as at 30 June, 2019 reflects receipts in bank not yet recorded in cash book of Kshs.359,110, all of which are dated from 16 September, 2016 to 10 June, 2019. No explanation has been provided on why the receipts have not been recorded in the cash book.

In addition, the reconciliation statement reflects payments in bank not yet recorded in the cash book of Kshs.120,204, receipts in cash book not yet recorded in bank statements of Kshs.5,280, and unpresented cheques of Kshs.466,096. These payments are dated from 7 September, 2017 to 10 June, 2019. No explanation has been provided on why the receipts had not been banked and the payments recorded in the cash book. Further, bank statements to confirm that the unpresented cheques were subsequently cleared were not availed for audit review.

5.3. Co-operative Bank – Fees Collection Account.

Included in the bank balance of Kshs.177,077,783 is a negative bank balance of Kshs.929,621 in the Co-operative Bank Fees collection account. However, the supporting bank reconciliation as at 30 June, 2019 reflects amounts in cash book but not in bank statement of Kshs.1,668,430, some dating as far back as 29 November, 2016. No explanation was been provided on why these amounts had not been banked to date.

5.4. Standard Chartered Bank - Fees Collection Account

Also included in the bank balance of Kshs.177,077,783 is a fees collection account balance of Kshs.3,843,615. The supporting bank reconciliation as at 30 June, 2019 reflects receipts in bank statements but not yet recorded in the cash book of Kshs.453,630. The receipts are dated from 28 November, 2018 to 16 June, 2019. No explanation was provided on why the receipts had not been recorded in cash book.

5.5. Kenya Commercial Bank Lamu Satellite Branch – Account

Further, included in the bank balance of Kshs.177,077,783, is a bank balance of Kshs.6,799 in the Co-operative Bank Fees collection account. The bank reconciliation as at 30 June, 2019 reflects receipts in bank statement but not yet recorded in the cash book of Kshs.645,407. The receipts are dated from 30 September, 2016 to 30 June, 2019. Some amounts have been outstanding for between one year and two years. No explanation was provided on why the receipts were not recorded in the cash book.

5.6. Equity Fees Collection Account

The bank balance of Kshs.177,077,783 also includes a negative bank balance of Kshs.668,707 in the Equity Bank Fees collection account. The supporting bank reconciliation as at 30 June, 2019 reflects amounts in cash book but not in bank statement of Kshs.1,695,620, some dating as far back as 17 March, 2017. Out of this balance, an amount of Kshs.755,780 has been outstanding for between six months to two years. No explanation was provided on why these amounts had not been banked to date.

5.7. National Bank - Economic Stimulus Programme Account

The bank balance of Kshs.177,077,783 also includes a bank balance of Kshs.17,192,527 in the National Bank Economic Stimulus Programme account. The supporting bank reconciliation as at 30 June, 2019 reflects receipts in bank statement but not yet recorded in the cash book of Kshs.5,000. This receipt is dated 19 April, 2017. It has been outstanding for more than two years and no explanation was provided on why the amount had not been recorded in the cash book.

5.8 National Bank Fees Collection Account

Included in the bank balance of Kshs.177,077,783 is bank balance of Kshs.20,129,554 in the National Bank Fees collection account. The supporting bank reconciliation as at 30 June, 2019 reflects receipts in bank but not yet recorded in the cash book of Kshs.5,590,405. The receipts are dated from 16 August, 2016 to 28 June, 2019. Out of this balance, an amount of Kshs.2,297,620 has been outstanding for between six months to three years. No explanation was provided on why the amount had not been recorded in the cash book.

The reconciliation also reflects payments in bank not yet recorded in the cash book of Kshs.298,518. These payments are dated from 29 February, 2016 to 4 July, 2017. No explanation was provided on why these payments had not been recorded in the cash book. Further, whereas the reconciliation reflects a balance as per bank statement of Kshs.25,421,363, the supporting certificate of bank balance reflects a balance of Kshs.25,420,363 resulting to a variance of Kshs.20,000 and which was not explained or reconciled.

5.9 Kenya Commercial Bank Fees Collection Account

Also included in the bank balance of Kshs.177,077,783 is a bank balance of Kshs.5,169,255 in the Kenya Commercial Bank Fees collection account. The bank reconciliation as at 30 June, 2019 for fees collection account reflects receipts in bank statement but not yet recorded in the cash book of Kshs.1,875,938. The receipts are dated from 31 May, 2018 to 30 June, 2019. Out of this balance, an amount of Kshs.944,748 has been outstanding for between six months and one year. No explanation was provided on why the amount had not been recorded in the cash book.

In the circumstances, the accuracy and completeness of the bank balances of Kshs.177,077,783 as at 30 June, 2019 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Technical University of Mombasa Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAIs and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no other key audit matters to report in the year under review.

Other Matter

1. Financial Performance

As previously reported, the statement of financial performance reflects a deficit of Kshs.72,097,564 for the year ended 30 June, 2019, (2017/2018: deficit – Kshs.130,192,201). This resulted to accumulated losses of Kshs.393,459,323 (2017/2018 – accumulated loss of Kshs.294,222,416). If strategies are not put in place to reverse the trend, the University is likely to face financial challenges in settling its financial obligations as and when they fall due.

2. Budgetary Control and Performance

During the year under review, the University had a final budget of Kshs.1,699,149,025 while the total expenditure amounted to Kshs.1,649,115,352 or 97%, resulting to overall under expenditure of Kshs.50,033,673 or 3% of the budget. However, the University had an over expenditure of Kshs.796,224 on repairs and maintenance and no evidence of authority to overspend or reallocate funds in line with Regulation 48(5) of the Public Finance Management (National Government) Regulations, 2015 was provided.

3. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2019. Management did not provide reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis of Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0. IT Governance and Control Environment

1.1. Inadequate Information Communication Technology Services (ICTS) Governance Control

Although the University established and approved an ICT policy within the year, it was observed that the ICT function did not have a specific committee of the Council directly responsible for its governance and strategic direction. Further, the University did not have an ICT Strategic Plan. The University may therefore lack coordinated approach in ICT management and control in order to realize maximum benefits from the use of ICT.

1.2. ICT Systems Administration and Management

The University operates two (2) ICT systems that include Student Management System (E-register) and Sage ACPACC Systems). Available records indicated that a company was contracted to provide maintenance services to Sage ACCPAC System at a contract price of Kshs.1,440,000 per year while another firm was contracted to provide maintenance services to the E-register academic system at a contract price of Kshs.2,552,000 per year. The following audit issues were however noted:

1.2.1. The system maintenance contract for Sage ACCPAC had run for a period of eight (8) years while that for the E-register had run for seven (7) years, contrary to the University ICT policy that limits the contract period to a maximum of two (2) years. The University is in breach of its own ICT policy.

1.2.2. Service Level Agreement (SLA) for maintenance of E-register system was as per contract Ref: TUM/LO/SLA/014/2018/2019 dated 18 February, 2019. However, the signed contract did not indicate the ownership arrangement for E-register system, while the firm providing E-register maintenance services which enabled the assignee to create users and assign roles within the system, system data and other confidential systems information was not specified. Thus, there is unauthorized access to E-register through the University Website portal.

In addition, contrary to Clause 3.1 of the signed SLA, the University did not designate in writing, up to three appropriate knowledgeable persons to serve as University liaison officers with the Service Provider. Furthermore, records availed for audit review indicated that the contractor failed to respond promptly to some system error requests made through email. Also, the contactor did not provide any technical manual specifying corrections made on the system and instructions for proper use of the system. Thus, the University is in breach of the terms of the contract, and system errors may not be detected and promptly corrected.

1.2.3. The contractor did not provide the University with information about the version, release or upgrade of the E-Register system as required, or provide Management with full copies of the software required. The University may not have full knowledge and information on the system and its benefits.

1.2.4. The University does not have a formal policy or procedures in place for the logging and monitoring of key activities in the E-register and Sage ACCPACC Systems. Further, it was noted that the functionality for review of activity logs by the section heads was not enabled hence the systems could not produce event logs.

1.2.5. There were no documented procedures on database backups. Further, no person with relevant competency was assigned the role of obtaining all data backup. In case of unforeseen disaster, critical data may be lost.

Consequently, there was breach of contract and the integrity and confidentiality of information, on-time management of information, value for money and the efficiency and effectiveness of internal control mechanism for the ICT data and information could not be confirmed.

2.0 Under- Establishment

The University establishment was at six hundred and sixty-one (661) staff against an approved establishment of one thousand one hundred and ninety-four (1,194.) staff, indicating an under-establishment of five hundred and thirty-three (533) staff. The academic function was under-staffed by two hundred and thirty-six (236) staff being 48% of the approved establishment while the administrative function was under-staffed by two hundred and ninety-seven (297) staff, being 42% of the approved establishment.

It was also notable that key departmental functions were lacking substantive office holders, contrary to the University's Scheme of Service as detailed below:

- Corporate Services position should be held by a substantive Corporation Secretary Grade 15N but was being held by Deputy Chief Legal Officer Grade 13N.

- Internal Audit position which ought to be held by a substantive Chief Internal Auditor Grade 15N was being held by Deputy Chief Internal Auditor Grade 14N.

- Procurement Officer position which should be held by a substantive Procurement Manager Grade 14N was being held by Senior Procurement Officer Grade 12N.

- Human Resource Manager position which should have been held by a substantive Human Resource Manager Grade 14N was being held by a Human Resource Manager Grade 13N.

- Corporation Communication Officer position which should have been held by a substantive Senior Corporate Communication Officer Grade 12N was being held by Corporate Communication Officer III Grade 8N.

Further, it was observed that the Terms of Reference for Council Committees do not include governance control responsibility. The University statutes do not expressly assign the responsibility for ICT and University Security Function to the Council Committees.

Consequently, the Council and the University may be exposed to risk of cyber-crime due to lack of effective control.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing financial statements, Management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

Management is also responsible for the submission of financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of University's financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of Technical University of Mombasa control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause University to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

06 July, 2021

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

		2019	RESTATED 2018
	NOTES	Kshs.	Kshs.
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS:			
GOK GRANTS	7	931,644,268	1,106,896,462
OTHER INCOME	8	326,467,468	282,449,759
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		**1,258,111,736**	**1,389,346,221**
REVENUE FROM EXCHANGE TRANSACTIONS:			
TUITION FEES	9	476,823,177	327,112,481
TOTAL INCOME		**1,734,934,913**	**1,716,458,702**
EXPENSES			
PERSONNEL EMOLUMENTS	10	1,337,221,498	1,447,495,397
COUNCIL EXPENSES	11	11,818,785	13,119,580
OPERATING /ADMINISTRATION EXPENSES	12	179,873,130	170,253,072
TEACHING EXPENSES	13	99,893,770	72,437,816
STUDENTS WELFARE	14	10,456,945	9,838,770
REPAIRS & MAINTENANCE	15	9,851,224	14,204,039
DEPRECIATION	16	131,267,518	100,530,723
AMORTIZATION	17	117,000	558,530
AUDIT FEES	18	1,880,000	1,160,000
PROVISION FOR BAD DEBTS	19	21,082,632	7,596,843
FINANCE COSTS	20	3,569,975	9,456,133
BAD DEBTS WRITTEN OFF	21	0	0
		1,807,032,477	**1,846,650,903**
SURPLUS/(DEFICIT) FOR THE YEAR		**(72,097,564)**	**(130,192,201)**

The notes set out on pages 6 to 42 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		2019	2018
	NOTES	Kshs.	Kshs.
ASSETS			
CURRENT ASSETS			
INVENTORIES	22	24,792,634	27,790,893
RECEIVABLES FROM EXCHANGE TRANSACTIONS	19	46,569,410	122,943,393
RECEIVABLES FROM NON EXCHANGE TRANSACTIONS	23	114,899,735	5,252,480
CASH & BANK BALANCES	24	177,077,783	181,795,716
INVESTMENTS	25	0	0
TOTAL CURRENT ASSETS		**363,339,562**	**337,782,482**
NON - CURRENT ASSETS			
PROPERTY ,PLANT & EQUIPMENT	16	3,093,832,849	2,807,007,446
INTANGIBLE ASSETS	17	193,263	914,371
INVESTMENTS	26	10,585,457	12,324,338
TOTAL NON CURRENT ASSETS		**3,104,611,569**	**2,820,246,155**
TOTAL ASSETS		**3,467,951,131**	**3,158,028,637**
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	27	94,787,411	84,647,000
OTHER CREDITORS	28	249,833,686	208,649,736
TOTAL CURRENT LIABILITIES		**344,621,097**	**293,296,736**
NON-CURRENT LIABILITIES			
LONG-TERM LIABILITIES	29	47,408,959	63,348,509
TOTAL NON-CURRENT LIABILITIES		**47,408,959**	**63,348,509**
TOTAL LIABILITIES		**392,030,056**	**356,645,245**
NET ASSETS			
CAPITAL FUND	30	3,200,355,808	3,095,605,808
OTHER FUNDS & RESERVES	31	(393,459,323)	(294,222,416)
DONATED ASSETS FUND	32	269,024,590	0
TOTAL NET ASSETS		**3,075,921,075**	**2,801,383,392**
TOTAL NET ASSETS AND LIABILITIES		**3,467,951,131**	**3,158,028,637**

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Council by:

Vice Chancellor	Finance Officer	Chairman of the Council
Name: Prof. Laila Abubakar	Name: CPA Dalton Mwaghogho	Name: Dr. Robert Arunga
	ICPAK Member Number: 2744	
Sign	Sign	Sign
Date 5/11/2019	Date 4/11/2019	Date 05/11/2019

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	General Fund	Revaluation Reserve	Retained Earnings	Development Grants	Other Funds & Reserves	Donated Assets Fund	Total
Balance At July 1, 2017	2,099,590,762	0	(181,544,405)	878,312,680	(7,520,608)	0	2,788,838,429
Revaluation Reserves		16,052,406					16,052,406
Revenue Reserve			17,514,190				17,514,190
Surplus (deficit) for the Year			(130,192,201)				(130,192,201)
Development Grant				109,170,568			109,170,568
Balance At June 30, 2018	**2,099,590,762**	**16,052,406**	**(294,222,416)**	**987,483,248**	**(7,520,608)**	**0**	**2,801,383,392**

	General Fund	Revaluation Reserve	Retained Earnings	Development Grants	Other Funds & Reserves	Donated Assets Fund	Total
Balance At July 1, 2018	2,099,590,762	16,052,406	(294,222,416)	987,483,248	(7,520,608)	0	2,801,383,392
Revenue Reserve			(26,535,235)				(26,535,235)
Surplus (deficit) for the Year			(72,097,564)				(72,097,564)
Prior Year Adjustment - Amortization			(604,108)				(604,108)
Development Grant				104,750,000			104,750,000
Donated Assets Fund						269,024,590	269,024,590
Balance As At June 30, 2019	**2,099,590,762**	**16,052,406**	**(393,459,323)**	**1,092,233,248**	**(7,520,608)**	**269,024,590**	**3,075,921,075**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
	NOTES	Kshs.	Kshs.
CASH FLOWS FROM OPERATING ACTIVITIES			
SURPLUS/(DEFICIT) FOR THE YEAR		(72,097,564)	(130,192,201)
ADJUSTMENT FOR :			
DEPRECIATION	16	131,267,518	100,530,723
AMORTIZATION	17	117,000	558,530
INCREASE/DECREASE IN PROVISION FOR BAD DEBTS	19	21,082,632	7,596,843
GAIN/LOSS ON TUMEL	8	0	0
CASH FLOW FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES		80,369,586	(21,506,105)
WORKING CAPITAL CHANGES			
INCREASE/DECREASE INVENTORIES	22	2,998,259	(13,785,735)
TRADE RECEIVABLES	19&23	(54,355,904)	(58,484,545)
TRADE PAYABLES	27&28	51,324,361	132,019,567
NET CASH FLOW FROM WORKING CAPITAL CHANGES		**(33,284)**	**59,749,287**
NET CASH FLOW FROM OPERATING ACTIVITIES		**80,336,302**	**38,243,182**
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASE OF PROPERTY ,PLANT & EQUIPMENT	16	(149,068,331)	(215,836,479)
INTANGIBE ASSETS	17	0	0
INCREASE/DECREASE IN INVESTIMENTS	25&26	1,738,881	0
GAIN/LOSS ON TUMEL	8	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES		**(147,329,450)**	**(215,836,479)**
CASH FLOW FROM FINANCING ACTIVITIES			
LONG-TERM LIABILITIES	29	(15,939,550)	(24,935,388)
CAPITAL FUND	30	104,750,000	109,170,568
OTHER FUNDS & RESERVES	31	(26,535,235)	17,514,190
NET CASH FLOW FROM FINANCING ACTIVITIES		**62,275,215**	**101,749,370**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(4,717,933)**	**(75,843,927)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**181,795,716**	**257,639,643**
CASH AND CASH EQUIVALENTS AT END OF YEAR		177,077,783	181,795,716

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARISON BASIS	VARIANCE
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
INCOME					
GOK GRANTS	948,486,048	0	948,486,048	931,644,268	(16,841,780)
INTERNALLY GENERATED	760,614,335	0	760,614,335	803,290,645	42,676,310
TOTAL INCOME	**1,709,100,383**	0	**1,709,100,383**	**1,734,934,913**	**25,834,530**
EXPENSES					
PERSONAL EMOLUMENTS	1,322,700,000	26,121,000	1,348,821,000	1,337,221,498	11,599,502
COUNCIL EXPENSES	10,000,000	2,680,000	12,680,000	11,818,785	861,215
OPERATING /ADMINISTRATION EXPENSES	175,,973,357	38,478,892	214,452,249	179,873,130	34,579,119
TEACHING EXPENSES	70,830,000	32,765,776	103,595,776	99,893,770	3,702,006
STUDENTS WELFARE	7,500,000	3,045,000	10,545,000	10,456,945	88,055
REPAIRS & MAINTENANCE	7,200,000	1,855,000	9,055,000	9,851,224	(796,224)
TOTAL EXPENSES	**1,594,203,357**	**104,945,668**	**1,699,149,025**	**1,649,115,352**	**50,033,673**

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14

2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Technical University of Mombasa is established by and derives its authority and accountability from University Charter. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is teaching and research.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018.

Standard	Impact
IPSAS 39: Employee Benefits	**Applicable: 1st January 2018** The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019:** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) **Revenue recognition (Continued)**

ii) **Revenue from exchange transactions**

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly in June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations in August on the 2018-2019 budget, revenue Ksh 1,602,703,357, development Ksh 104,750,000 and recurrent Ksh 1,709,100,383 after receiving the supplementary budget following the governing body's approval.

The University's budget is prepared on accrual basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page five of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ASSETS	RATES.
Building	2%
Furniture	10%
Computer	30%
Plant & Equip	10%
Motor Vehicle	20%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Currently the University has negative reserves due to accumulated losses over the years*

l) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post -employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) **Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the VC and Senior Managers.

q) **Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) **Budget information**

The original budget for FY 2017-2018 was approved by the National Assembly on June. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations July on the 2017-2018 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) **Budget information (Continued)**
A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page five of these financial statements.

t) **Comparative figures**
Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

u) **Subsequent events**
There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values
The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 17.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2017-2018 KShs
Ministry of Education	931,644,268		104,750,000	1,036,394,268	1,106,896,462
Total	**931,644,268**		**104,750,000**	**1,036,394,268**	**1,106,896,462**

The details of the reconciliation have been included under appendix III.

7. GOK GRANTS

	2019	2018
GOVERNMENT GRANTS	**KShs.**	**KShs.**
RECCURENT GRANTS RECEIVED	931,644,268	1,106,896,462
TOTAL RECCURENT GRANTS RECEIVED	**931,644,268**	**1,106,896,462**

8. OTHER INCOME

	2019	2018
8 .OTHER INCOME	**KShs.**	**KShs.**
Registration Fee	17,663,955	12,923,010
Internal Examinations	98,388,105	71,354,280
Sports Levy	23,424,200	17,279,225
Library Levy	23,523,230	17,351,730
Library Fines	53,643	16,910
Academic Trips	0	46,500
Medical Levy	35,130,400	25,980,325
Industrial Attachment Levy	14,258,700	12,681,559
ICT Levy	58,437,025	42,804,715
Academic Transcripts	8,500	71,000
Students hostel fee	13,027,110	13,111,530

Student Holiday Accommodation	182,410	0
Application Fee	1,339,178	1,165,325
Project Fee	195,000	165,000
Student Readmission Fee	2,650	7,950
Lost Items	123,844	38,200
Clinical Diagnostic Laboratory	6,000	0
Graduation Fee	9,651,900	8,413,000
Penalties	430,859	144,745
Materials Testing	378,400	21,600
Change of Course	50,500	0
Catering Income Catering	5,869,770	5,354,104
Kiziwi Income Guest House	6,867,865	15,783,797
Training Restaurant Income Training Restaurant	134,244	154,712
External Research	0	22,118,647
Administrative Research Income	3,000	0
Student ID	4,225,700	4,207,000
Material Development	5,000	0
Thesis Examination	96,500	15,000
Practical's/Laboratory workshops	504,500	3,000
Hire of Facilities	434,795	1,541,259
Hire of Transport	17,300	19,850
Photocopy & bindery Income Library	409,183	265,823
Remarking	0	3,000
Rent Income	4,750,339	3,255,899
Staff training levy	3,956,972	3,578,588
Interest on Investment	0	104,268
Profit on Disposal of Assets	45,500	434,300
Insurance Claims	(15,000)	500
Administrative Fees	1,206,459	811,681
Internet Services	244,000	506,000
Miscellaneous Income	1,435,732	715,727
TOTAL	**326,467,468**	**282,449,759**

9. TUITION FEES

	2019	**2018**
TUITION FEES	**KShs.**	**KShs.**
Tuition Fee Regular	95,954,378	84,362,656
Tuition Fee Module II	376,555,217	237,702,628
Tuition Fee LAMU	4,313,582	5,047,197
TOTAL	**476,823,177**	**327,112,481**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PERSONNEL EMOLUMENTS

	2019	2018
10. PERSONNEL EMOLUMENTS	**Kshs.**	**Kshs.**
Basic Salaries Central Vote	511,018,495	697,247,855
House Allowance Central Vote	263,553,597	281,529,767
Medical Insurance Central Vote	74,400,579	71,591,754
Pension Employers Expense Central Vote	77,873,293	82,310,210
NSSF Employer's Expense Central Vote	1,575,600	1,770,700
Group Life Central Vote	0	3,201,242
Responsibility Allowance Central Vote	16,380,309	15,999,940
Non Practising Allowance Central Vote	3,746,998	2,652,000
Professorial Allowance Central Vote	1,680,000	1,585,000
Telephone Allowance Central Vote	6,715,278	6,388,865
Acting Allowance Central Vote	483,145	1,541,324
Special Duty Allowance Central Vote	646,571	588,108
Management Allowance Central Vote	23,050,333	23,987,998
Book and Research Allowance Central Vote	3,474,000	3,570,000
Gratuities Central Vote	22,845,102	24,991,726
Leave Allowance Central Vote	9,458,067	13,198,469
Commuting Allowance Central Vote	40,714,318	43,277,517
Car Allowance Central Vote	36,170,898	34,152,700
Entertainment Allowance Central Vote	10,943,833	11,583,496
Electricity & Water Allowance	4,098,449	4,475,133
Passage and Baggage Allowance Central Vote	369,595	400,948
Domestic Workers Allowance Central Vote	1,360,000	2,220,000
Risk Allowance Central Vote	326,400	298,256
Extraneous Allowance Cenral Vote	7,283,000	6,676,042
Hardship Allowance	976,800	976,800
Part time Teaching	202,891,170	102,196,605
Production Expenses Central Vote	15,185,668	9,082,942
TOTAL	**1,337,221,498**	**1,447,495,397**

11. COUNCIL EXPENSES

	2019	2018
COUNCIL EXPENSES	**KShs.**	**KShs.**
Council Expenses	11,818,785	13,119,580
TOTAL	**11,818,785**	**13,119,580**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. ADMINISTRATIVE/OPERATING EXPENSES

12. ADMINISTRATIVE/OPERATING EXPENSES	2019 KShs.	2018 KShs.
Casual wages	5,699,951	7,664,216
Travel and Subsistence	12,781,470	11,168,945
Fuel and oils	3,477,350	3,319,000
Maintenance of Vehicles Transport	3,608,998	3,228,151
Overseas Travel	210,320	0
Office Stationery	3,403,622	5,213,069
Photocopying	419,183	266,409
Computer Stationery	4,232,320	4,793,798
Advertising and Publicity	10,803,596	6,140,376
Printing and Publishing	676,500	0
Newspapers	954,037	1,033,447
Shows and Exhibitions Research	2,318,044	2,819,959
Open Day Research	678,200	0
Electricity	23,029,604	17,564,328
Water and Conservancy	1,485,970	2,654,110
Graduation Expenses	6,656,869	7,859,441
Official Entertainment	493,330	251,320
Expenses of Boards and Committees	5,803,602	10,840,360
Staff Development and Training	1,645,190	2,636,217
Staff Welfare	994,479	3,099,500
Staff Dependents Bursary Scheme	734,091	359,312
Cleaning Materials	4,026,459	9,428,633
Fumigation & Waste Collection Services Accommodation	1,940,620	1,259,920
Purchase of Gas and firewood	1,945,370	1,769,645
Purchase of Utensils beddings & fittings	833,115	2,751,750
Purchase of foodstuffs	16,047,075	17,744,901
Vehicle Licenses and Inspection Transport	312,550	301,590
Vehicle Insurance Transport	1,585,422	1,227,711
General Insurance	6,026,911	836,012
Bank Charges	701,391	557,955
Payment of Rent and Rates	4,966,119	5,115,560
Staff Uniforms	0	81,640
In house Capacity Building Human Resource	657,800	407,074
Governance	2,083,554	2,394,500
Subscription Fee	1,701,340	1,831,162
Professional Services	13,765,646	15,131,038
Hire of Security Services	11,316,055	11,287,720

Hire of Cleaning Services	20,328,440	5,280,000
Funeral Expenses	322,000	118,114
CSR Donations	122,000	339,400
Alumni expenses	0	4,000
Postal and Courier Services	594,822	686,556
Telephone Expenses	98,476	786,233
Court Decrees	391,239	0
TOTAL	**179,873,130**	**170,253,072**

13. TEACHING EXPENSES

	2019	2018
13. TEACHING EXPENSES	**KShs.**	**KShs.**
Library Expenses Library	3,215,129	4,983,882
Purchase of Teaching Materials	13,771,857	6,922,155
Curriculum and Development	1,422,685	827,100
Academic Trips	7,000	65,000
Maintenance Computer Hardware and Networks	2,600	441,608
Internet Charges Directorate of ITCS	14,476,603	15,570,266
Maintenance Computer Software Directorate of ITCS	5,051,740	5,475,022
Internal Research Expenses Research	619,220	1,309,751
External Research Expenses Research	2,276,605	11,570,366
Examination Materials Registrar Academic Affairs	10,531,516	5,168,813
External Examiners	5,143,140	3,333,335
Consultancy Expenses	26,736,355	4,234,040
ISO Certification	3,104,320	426,800
Publications and Conferences Research	612,076	545,357
Accreditation of Programmes	8,085,000	8,160,000
Industrial Attachment Expenses	4,837,924	3,404,321
TOTAL	**99,893,770**	**72,437,816**

14. STUDENT WELFARE EXPENSES

	2019	2018
STUDENTS WELFARE EXPENSES	**KShs.**	**KShs.**
Guidance and Counselling Dean Of Students	578,760	153,881
Sports Activities Dean Of Students	4,525,474	5,739,212
TUMSU Elections Dean Of Students	1,402,970	0
Medical Expenses Clinic / Medical	2,084,744	2,653,330
Student Work study Programme	827,840	169,067
Music and Drama Dean of Students	1,037,157	1,123,280
TOTAL	**10,456,945**	**9,838,770**

15. REPAIRS AND MAINTENANCE

	2019	2018
REPAIRS AND MAINTENANCE	KShs.	KShs.
Repairs and Maintenance	1,927,127	3,086,379
Maintenance of Buildings and Stations	7,041,347	10,986,060
Maintenance of Sewerage	882,750	131,600
TOTAL	**9,851,224**	**14,204,039**

17. INTANGIBLE ASSETS-SOFTWARE

INTANGIBLE ASSETS	COMPUTER SOFTWARE	TOTAL
RATES	0.3	
Balance At At July 1, 2017	16,725,980	**16,725,980**
TOTAL COST	**16,725,980**	**16,725,980**
Accumulated Amortization B/F	15,253,079	**15,253,079**
Amortization For Year 2018	558,530	**558,530**
Accumulated Amortization C/F	**15,811,609**	**15,811,609**
NBV AS AT June 30, 2018	**914,371**	**914,371**
NBV AS AT June 30, 2017	**1,472,901**	**1,472,901**
	COMPUTER SOFTWARE	**TOTAL**
RATES	0.3	
Balance At July 1, 2018	16,725,980	**16,725,980**
TOTAL COST	**16,725,980**	**16,725,980**
Accumulated Amortization B/F	15,811,609	**15,811,609**
Amortization For Year 2019	117,000	**117,000**
Prior Year Adjustment - Amortization	604,108	**604,108**
Accumulated Amortization C/F	**16,532,717**	**16,532,717**
NBV AS AT June 30, 2019	**193,263**	**193,263**
NBV AS AT June 30, 2018	**914,371**	**914,371**

18. AUDIT FEES

	2019	2018
AUDIT FEES	KShs.	KShs.
Audit fees	1,880,000	1,160,000
TOTAL	**1,880,000**	**1,160,000**

	2019	2018
19. RECEIVABLES FROM EXCHANGE TRANSACTIONS	Kshs.	Kshs.
Prepaid Insurances	22,720,243	20,624,250
Deposit Contingency	725,000	725,000
General Trade receivables	838,477	838,477
Student Debtors	72,278,543	131,794,350
TIVET Bursaries MOHEST	696,531	696,531
Guest Accommodation Debtors	7,282,107	11,060,644
TUMEL DEBTORS	6,000,000	0
Staff Medical Debtors	120,776	120,776
Staff Salary Advances	142,454	142,454
Rent Arrears	(145,000)	(52,000)
LESS PROVISION	(64,089,721)	(43,007,089)
TOTAL	**46,569,410**	**122,943,393**

19. PROVISION FOR BAD DEBTS		
DATE	**PARTICULARS**	**AMOUNT**
9/30/2018	PROVISION FOR BAD DEBTS-Q1	1,745,657
12/31/2018	PROVISION FOR BAD DEBTS-Q2	2,119,659
3/31/2019	PROVISION FOR BAD DEBTS-Q3	9,494,773
6/30/2019	PROVISION FOR BAD DEBTS –Q4	7,722,543
	TOTAL	**21,082,632**

The provision for bad debts is 10% of receivable from exchange transactions.

	2019	2018
20. FINANCE COSTS	Kshs.	Kshs.
Interest Expense Central Vote	3,569,975	9,456,133
TOTAL	**3,569,975**	**9,456,133**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. DEPARTMENTAL INVENTORIES

DEPARTMENTAL INVENTORIES	2019 KShs.	2018 KShs.
Inventories Estates & project planning	4,578,149	3,973,815
Inventories Hospitality & Tourism	269,624	277,549
Inventories Mechanical Engineering	3,973,595	6,952,205
Inventories Health Unit	432,841	1,642,352
Inventories Kiziwi department	0	452,098
Inventories Administration	6,397,411	2,522,982
Inventories Electrical Engineering	1,840	2,255
Inventories Applied & Health Science	3,991,193	3,774,464
Inventories Business & Social studies	0	19,584
Inventories Medical Engineering department	1,093,230	473,813
Inventories ICTS	266,655	423,057
Inventories Library department	185,811	249,634
Inventories Building & civil Engineering	176,496	25,580
Inventories Kwale Campus	137,856	1,078,300
Inventories Lamu Campus	35,396	1,022,000
Inventories Registry	103,514	3,067,823
Inventories Student services	2,257,585	1,291,522
Inventories Transport & Logistics	503,716	13,943
Inventories Environment and Health science department	34,958	37,615
Inventories Dean School of business	28,427	41,868
Inventories Dean School of Humanities	36,504	48,521
Inventories Accounting and finance	0	40,211
Inventories Management Science	0	25,563
Inventories Social science Department	53,884	37,407
Inventories Maths and science department	28,644	39,376
Inventories Medical Science Department	205,305	203,217
Inventories Communication Department	0	54,139
TOTAL	**24,792,634**	**27,790,893**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RECEIVABLE FROM NON EXCHANGE TRANSACTION

	2019	2018
RECEIVABLES FROM NON EXCHANGE TRANSACTIONS	KShs.	KShs.
Staff Imprest	6,872,979	3,526,250
Litigation Debtor (Susan Bosire Mwango)	231,105	310,305
Other Debtors	1,398,625	1,398,625
Recurrent Grants Receivable	106,397,026	0
Disposal of Assets Receivable	0	17,300
TOTAL	**114,899,735**	**5,252,480**

24. CASH AND CASH EQUIVALENT

	2019	2018
CASH AND BANK BALANCES	KShs.	KShs.
Cash in Hand NBK Current Account I	0	380,895
CASH BALANCES	0	380,895
Cash at Bank National Bank Current Account I	1,106,746	1,159,500
Cash at Bank National Bank Current Account II	89,517,843	34,619,149
Cash at Bank Co-operative Bank Fees collection Account	(929,621)	6,563,201
Cash at Bank Standard Chart Bank Fees collection Acc.	3,843,615	11,173,077
Cash at Bank KCB Lamu Satellite Campus	6,799	7,570,071
Cash at Bank Family Bank Research A/C	24,083,155	28,825,512
Cash at bank Kiziwi Guest House	2,561,473	26,082,247
Cash at bank Equity Fees Collection a/c	(668,707)	6,384,570
Cash at bank Development A/C Standard Chartered	7,777,538	9,875,733
Cash at bank Economic Stimulus Programme	17,192,527	4,919,534
Cash at bank NBK fees collection a/c	20,129,554	27,718,538
Cash at bank Cash in hand KCB Fees Collection A/C	5,169,285	3,664,156
Cash at bank Barclays Fees Collection A/C	7,287,576	12,859,533
BANK BALANCES	**177,077,783**	**181,414,821**
CLEARING ACCOUNTS	**0**	**0**
TOTAL	177,077,783	181,795,716

	2019	2018
25. INVESTMENTS	Kshs.	Kshs.
TOTAL	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. INVESTMENTS

INVESTMENTS	2019 KShs.	2018 KShs.
Shares in Consolidated Bank	5,000,000	5,000,000
Seed Money TUM Enterprises	5,571,938	5,571,938
Fixed Deposit National Bank of Kenya	13,519	1,752,400
TOTAL	**10,585,457**	**12,324,338**

27. TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES	2019 KShs.	2018 KShs.
General Trade Payables	(94,787,411)	(84,647,000)
TOTAL	**(94,787,411)**	**(84,647,000)**

28. OTHER CREDITORS

OTHER CREDITORS	2019 KShs.	2018 KShs.
PAYE Deductions	(28,425,357)	(84,490,076)
VAT Retained	(88,724)	(114,046)
Income Tax Withholding	(206,267)	(867,312)
VAT Clearing	(719,555)	(2,913,792)
Student Union Fee	(3,264,639)	(4,348,858)
Student Benevolent Fund	(1,167,595)	(413,745)
Accrued Payables	(3,389,414)	(2,275,110)
Rent Deposit	(131,500)	(131,500)
Provision of Contingent Liability	0	(14,000,000)
KUCCPS Levy	(1,141,975)	(754,975)
CUE Levy	(3,871,375)	(5,776,375)
Alumni Association	(1,966,700)	(1,639,500)
Book Fee	(699,300)	(214,600)
Rent Tax Withholding	(172,175)	(88,401)
Alliance Francaise Tuition fee	(2,929,812)	(2,161,470)
Project Review fee	(1,000)	0
TVET Institutions	(12,240,674)	(12,288,074)

Jumuiya ya Kaunti za Pwani (JKP)	(2,414,931)	(1,500,002)
External Research	1,575,516	0
HELB	(33,590)	(33,587)
Other Depositors	(681,026)	(681,026)
LAPSSET refunds	(750,000)	(750,000)
Foreign Examinations CILT	(596,272)	(596,272)
External Examinations – KASNEB	(750)	0
External Examinations – KNEC	(3,900)	(139,700)
Pension Deductions/Contributions	(5,181,220)	(1,389,988)
NSSF Payables	(550)	(350)
NHIF Payables	(2,800)	(1,100)
Poly Sacco	(1,196,996)	(77,251)
Staff Benevolent Fund	(88,949)	(88,749)
Trade Unions Payables	9,896	12,425
Other Payables	(97,653,688)	(40,000,000)
Retentions Payable	(41,299,996)	(30,962,705)
Welfare Payables Staff contributions	(1,151,979)	(569,206)
TUMEL Payables	0	(937,944)
Insurance Payables Saham Assurance Co.	(104,358)	0
Insurance Payables British American Insurance	(6,785)	(1)
Insurance Payables UAP Assurance Life Ltd	(10,379)	0
Insurance Payables Blue Shield Insurance	(2,000)	0
Insurance Payables CFC Life Insurance	(30,200)	(30,200)
Insurance Payables ICEA	(2,000)	(2,000)
Insurance Payables Corporate Insurance Company	(9,013)	(529)
Insurance Payables Kenindia	(1,500)	(1,500)
Insurance Payables UAP Insurance Ltd	(10,338)	(5,001)
Insurance Payables The Monarch Insurance	(4,500)	0
Insurance Payables CIC GROUP	(4,500)	(4,500)
Mwalimu SACCO	(7,977,961)	(3,362,909)
KEMFRI SACCO	(8,900)	0
Kilifi Teachers Sacco	(265,833)	(131,186)
Loan Payables KCB	(8,788,647)	(5,000)
Loan Payables NBK	(21,935)	(21,935)
Loan Payables Standard Chartered	(81,394)	0
Loan Payables Milimani Commercial Court	(65,904)	(65,902)
Loan Payables Bank of Africa	(235,725)	(1)
Loan Payables Faulu Kenya	(1,361,551)	0
Loan Payables Select Management Services Ltd	(69,038)	(48,038)
Ukaguzi SACCO	(58,701)	(58,697)
Nacico Co op Savings & Credit Society	(25,916)	(25,916)
Mombasa Port Savings & Credit Co op Society Ltd	(104,350)	(104,350)

Net Pay	(1,383,178)	(2,378,651)
Provision for Audit Fees	(1,400,000)	(2,320,000)
Salary Advance Refund	(10,557)	(1,334)
Post Bank Shares	(2,000)	(2,000)
Helb control a/c	(3,128,595)	9,205,275
CDF control a/c	(1,173,368)	1,458,954
Sponsors control a/c	(5,519,056)	(551,026)
Liberty Insurance payables	(6,990)	0
School based control a/c	(2,974,935)	0
Student Fee Clearing a/c	(506)	0
Impress Recovery Clearing a/c	(353,174)	0
Unclaimed Funds Equity Bank	(305,876)	0
Unclaimed Funds KCB Fee Bank	(1,950,966)	0
Unclaimed Funds Coop Bank	(1,309,374)	0
Unclaimed Funds Barclays Bank	(311,024)	0
Unclaimed Funds Stanchart Bank	(865,362)	0
TOTAL	**(249,833,686)**	**(208,649,736)**

29. LONG TREM LIABILTIES

	2019	**2018**
LONG TERM LIABILITIES	**KShs.**	**KShs.**
Students Caution Money	(20,197,678)	(16,732,678)
Long term Service Gratuity	(61,281)	(5,890,831)
Bank Loan	(27,150,000)	(40,725,000)
TOTAL	**(47,408,959)**	**(63,348,509)**

30. CAPITAL FUND

	2019	**2018**
CAPITAL FUND	**KShs.**	**KShs.**
B/F	3,095,605,808	2,970,382,834
MOVEMENTS		
Development Grant	104,750,000	109,170,568
Revaluation Reserves	0	16,052,406
C/F	**3,200,355,808**	**3,095,605,808**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. OTHER FUNDS & RESERVES

	2019	2018
OTHER FUNDS & RESERVES	**Kshs.**	**Kshs.**
B/F	(294,222,416)	(181,544,405)
MOVEMENTS		
Revenue Reserve	(26,535,235)	17,514,190
Prior Year Adjustment Amortization	(604,108)	0
SURPLUS (DEFICIT) FOR THE PERIOD	(72,097,564)	(130,192,201)
C/F	(393,459,323)	(294,222,416)

	2019	2018
32 DONATED ASSETS FUND	**Kshs.**	**Kshs.**
B/F	0	0
MOVEMENTS		
Donated Assets Fund	269,024,590	0
C/F	269,024,590	0

16.PROPERTY,PLANT & EQUIPMENT	FREE HOLD LAND	BUILDING	FURNITURE & FITTINGS	COMPUTER & OTHER ELECTRONICS	PLANT & EQUIPMENTS	MOTOR VEHICLE	CAPITAL WORK IN PROGRESS	TOTAL
RATES	0.0	0.02	0.1	0.3	0.1	0.2		
Balance At July 1, 2016	1,047,422,550	1,562,467,223	91,896,769	132,362,312	424,858,792	58,347,038	21,845,298	3,339,199,982
Additions During The Year	0	0	181,298	24,672,699	12,132,051	0	20,872,353	57,858,401
Cost Adjustment During The Year	0	0	(11,477,858)	0	0	0	0	(11,477,858)
TOTAL COST	**1,047,422,550**	**1,562,467,223**	**80,600,209**	**157,035,011**	**436,990,843**	**58,347,038**	**42,717,651**	**3,385,580,525**
Accumulated Depreciation B/F	0	166,654,777	48,214,727	108,509,647	249,733,521	47,730,077	0	620,842,749
Depreciation For Year 2018	0	31,285,992	6,876,305	6,340,166	43,699,048	4,844,231	0	93,045,742
Accumulated Depreciation - Adjustment	0	0	(3,957,250)	0	0	0	0	(3,957,250)
Accumulated Depreciation C/F	**0**	**197,940,769**	**51,133,782**	**114,849,813**	**293,432,569**	**52,574,308**	0	709,931,241
NBV AS AT June 30, 2017	**1,047,422,550**	**1,364,526,454**	**29,466,427**	**42,185,198**	**143,558,274**	5,772,730	42,717,651	2,675,649,284
RATES	0.0	0.02	0.1	0.3	0.1	0.2		
COST								
Balance As At July 1, 2017	1,047,422,550	1,562,467,223	80,600,209	157,035,011	436,990,843	58,347,038	42,717,651	3,385,580,525
Additions During The Year	0	0	12,097,834	5,712,841	2,176,731	0	195,849,073	215,836,479
Revaluation During The Year	0	0	0	0	0	16,052,406	0	16,052,406
Disposal During The Year	0	0	(43,500)	(712,000)	0	0	0	(755,500)
As At June 30, 2018	**1,047,422,550**	**1,562,467,223**	**92,654,543**	**162,035,852**	**439,167,574**	**74,399,444**	**238,566,724**	**3,616,713,910**
Additions During The Year	0	0	370,000	7,598,257	18,480,213	6,200,000	116,419,861	149,068,331
Donations During The Year	0	0	0	0	269,024,590	0	0	269,024,590
As At June 30, 2019	**1,047,422,550**	**1,562,467,223**	**93,024,543**	**169,634,109**	**726,672,377**	**80,599,444**	**354,986,585**	**4,034,806,831**
DEPRECIATION AND IMPAIRMENT								
Balance As At July 1, 2017	0	197,940,769	51,133,782	114,849,813	293,432,569	52,574,308	0	709,931,241
Depreciation For Year 2018	0	31,249,344	8,276,486	10,937,361	43,970,686	6,096,846	0	100,530,723
Accumulated Depreciation - Disposals	0	0	(43,500)	(712,000)	0	0	0	(755,500)
As At June 30, 2018	**0**	**229,190,113**	**59,366,768**	**125,075,174**	**337,403,255**	**58,671,154**	0	809,706,464
Depreciation For Year 2019	0	31,249,344	9,302,454	10,711,636	72,667,238	7,336,846	0	131,267,518
As At June 30, 2019	**0**	**260,439,457**	**68,669,222**	**135,786,810**	**410,070,493**	**66,008,000**	0	940,973,982
NET BOOK VALUES								
As At June 30, 2019	1,047,422,550	1,302,027,766	24,355,321	33,847,299	316,601,884	14,591,444	354,986,585	3,093,832,849
As At June 30, 2018	1,047,422,550	1,333,277,110	33,287,775	36,960,678	101,764,319	15,728,290	238,566,724	2,807,007,446

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The entity operates a defined benefit scheme for all full-time employees from July 1, the scheme is based on xxx percentage of salary of an employee at the time of retirement. During the year, 0 actuarial values were engaged to value the scheme. The liability at the end of the year is as follows:

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs.200 per employee per month.

33. FINES, PENALTIES AND LEVIES

Description	2018-2019	2017-2017
	KShs	KShs
Sports Levy	23,424,200	17,278,225
Library Levy	23,523,230	17,350,730
Library Fines Central Vote	53,643	16,910
Academic Trips Central Vote	0	46,500
Medical Levy	35,130,400	25,978,825
Industrial Attachment Levy	14,258,700	12,681,559
ICT Levy	58,437,025	42,804,715
Sports Levy	23,424,200	17,278,225
Library Levy	23,523,230	17,350,730
Maintenance Levy	0	0
Staff training levy	3,956,972	3,578,588
Total	**205,731,600**	**154,365,007**

34. BORROWINGS

Description	2018-2019	2017-2018
	KShs	KShs
Balance at beginning of the period	40,725,000	63,350,000
External borrowings during the year		0
Domestic borrowings during the year		0
Repayments of external borrowings during the period	13,575,000	22,625,000
Repayments of domestics borrowings during the period		0
Balance at end of the period	**27,150,000**	**40,725,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The analyses of both external and domestic borrowings are as follows:

Description	2018-2019	2017-2018
Short term borrowings(current portion)		NIL
Long term borrowings	27,150,000	40,725,000
Total	**27,150,000**	**40,725,000**

35. FINANCIAL RISK MANAGEMENT

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The University's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	46,569,410	0	0	0
Receivables from non -exchange transactions	114,899,735	114,899,735	0	
Bank balances	177,077,783	177,077,783	0	0
Total	**338,546,928**	**291,977,518**	**0**	**0**
At 30 June 2019				
Receivables from exchange transactions	102,319,143	0	0	0
Receivables from non -exchange transactions	5,711,500	5,711,500	0	0
Bank balances	181,765,692	181,765,692	0	0
Total	**289,796,335**	**187,477,192**	**0**	**0**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from Students.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2019				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	**0**	**0**	**0**	**0**
At 30 June 2018				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	**0**	**0**	**0**	**0**

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KShs	Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets(investments, cash ,debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	**0**	**0**	**0**

The entity manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	KShs.	Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets(investments, cash ,debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	**0**	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk
To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2016: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2012 – KShs 0

Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

(iii) Market risk (Continued)

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2018-2019 KShs	2017-2018 KShs
Revaluation reserve	16,052,406	16,052,406
Retained earnings	364,972,943	294,222,416
Capital reserve	7,520,608	7,520,608
Total funds	**388,995,957**	**317,795,430**
Total borrowings	27,150,000	40,725,000
Less: cash and bank balances	(177,077,783)	(181,795,716)
Net debt/(excess cash and cash equivalents)	239,068,174	176,724,714
Gearing	6.52%	11.35%

36. RELATED PARTY TRANSACTIONS

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

i) The National Government;
ii) The Parent Ministry;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. RELATED PARTY BALANCE (Continued)

Government of Kenya (Continued)

iii) o;
iv) 0;
v) Key management;
vi) Board of directors;

	2019 KShs	2018 KShs
Transactions with related parties		
a) Sales to related parties		
Sales of goods to	0	0
Sales of services	0	0
Total		
b) Grants from the Government		
Grants from National Government	0	0
Grants from County Government	0	0
Donations in kind	0	0
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	0	0
Payments for goods and services for xxx	0	0
Total		
d) Key management compensation		
Council emoluments	11,818,785	13,119,580
Compensation to the VC		
Compensation to key management		
Total		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2018-2019	2017-2018
	KShs	KShs
Court case xxx against the company	0	0
Bank guarantees in favour of subsidiary	0	0
Total	**0**	**0**

(Give details)

38. CAPITAL COMMITMENTS

Capital commitments	2018-2019	2017-2018
	KShs	KShs
Authorised for	0	0
Authorised and contracted for	0	0
Total	**0**	**0**

39. DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Or the entity remitted Kshs 0 (FY 2017 Kshs 0. The entity did not make any surplus during the year (FY 2017 Nil) and hence no remittance to the Consolidated Fund. [Entities to edit accordingly].

40. EVENTS AFTER THE REPORTING PERIOD

The personnel emolument figure was reinstated by including part time teaching figure of Kshs 102,196,605 and Production expenses of Khs 9,082,942 as per National treasury directive.

Operating/Admin expenses was reinstated with interest expense of Kshs 9,456,133 being classified as finance cost as per National Treasury Directive.

Amortization and intangible assets there was prior year adjustment done in financial year 2019.

41. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.2	Gratuity amounting to KShs. 6,397,482 was not supported with contract documents.	The supporting contract documents for staff whose contract had ended and were due for gratuity which was then paid in the financial year 2017/2018 amounting to KShs. 24,991,726 are hereby attached	Deputy Human Resource Manager (DHRM)	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.
2.1	A parcel of land LR No. Mombasa/Block /X1/386 valued at KShs.200 Million of which ownership is in dispute and the matter is on-going before a Court of Law	The matter is still in court.	Deputy Chief Legal Officer (DCLO)	Yet to be discussed with Public Investment Accounts (PIC).	When Court case is concluded.
2.2	An amount of KShs. 175,767,710 being supply of high voltage laboratory equipment was excluded from plant, property and equipment (PPE) balance.	The supply of high voltage laboratory equipment for KShs 175,767,710 was facilitated by the Ministry of Education but is not operational yet. A disclosure in the financial statement is made in Note No......	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	Equipment to be included in PPE once installation is complete and is operational.
2.3	Details of lease rentals for the telecommunication mast was not availed for audit review and neither was rental income included in these financial statements.	The lease agreement for the telecommunications mast together with the amount received for the said period was provided to the auditor.	Deputy Chief Legal Officer (DCLO)	Yet to be discussed with Public Investment Accounts (PIC).	Audit Issue completed

2.4	Payments to various university staff amounting to KShs. 17,425,066 referred to as the project management fees where the basis for the payments and the supporting payment documents were not availed for audit verification.	The staff were engaged in University construction projects and paid as project management fee for professional services they rendered. Those engaged provided architectural, civil engineering and finance services to the projects. These services were provided over a period of years (2012 to 2015). At that time, the University was a constituent of JKUAT and so it was using JKUAT Policy for construction projects. The requests for payment was made by the Project Manager and approved by the Vice Chancellor for payment to the implementation team.	Deputy Vice Chancellor – Administration, Finance & Planning.	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.
2.5	Work in Progress included an advance payment of KShs. 1,802,697, for library detective system of which the audit verification done on 20 November 2018 revealed that the work had not been completed although according to the agreement dated 12 February 2014, the work was supposed to have been completed within 1½months from the date of signing the agreement.	The University agreed to pay the contract price in two tranches, 50% upon execution of the contract by both parties; 45% upon installation, testing and commissioning of the contracted works; and 5% upon expiry of 3 months' retention period after the commissioning date. The contract did not commence immediately but waited for a down payment of the 50% before commencement. On 17th December 2014, the University made a down payment of KShs. 1,802,138.00 to the Company but the Company did not immediately embark on execution of its obligations under the contract until 16th March 2015 when it supplied part of the equipment agreed upon in the contract. The delivered equipment failed	The Vice Chancellor (VC)	Yet to be discussed with Public Investment Accounts (PIC).	The matter was abandon by Council in the meeting dated 13th October 2017. When PIC appoints time for TUM.

		to work and satisfy the requirements and job specifications. The company then took back the equipment for shipment to India for purposes of configuration and integration. The Company failed to return the equipment or complete the work. The University tried to engage the company through alternative dispute mechanisms but the same failed as the company directors went into hiding. The University proceeded to court under Civil Suit No. 775 of 2016 and had to obtain leave to serve the company through substituted service in the Newspapers. The Company did not enter appearance in the suit and University obtained a decree dated 23rd March 2017 for purposes of execution. The University Council received the proposal to engage a private investigator to trace the firm and thereafter an auctioneer to recover the debt owed but they decided not to approve the proposal because the costs involved in the engagement of the two was not in tandem with the decretal sum therefore it was not cost effective.			
2.6	An expenditure amounting to KShs. 6,930,750 as at 30 June 2017 for the construction of a perimeter fence on Gotani land in Kaloleni where the records	The parcel of land in question is located in Gotani, Kaloleni Constituency and measures an estimated 55.80 acres. In the year 2012, the land was set apart by the Kaloleni Constituency Development Fund (CDF) for construction of a campus of Technical University of	The Vice Chancellor (VC)	Yet to be discussed with Public Investment Accounts (PIC).	The matter was abandon by Council in the meeting dated 28 January 2016.

	availed to the auditor indicated that the project was abandoned due to inability of the University to process ownership document for the land donated by Kaloleni CDF and the status of the project remained the same at the time of audit on 20 November 2018	Mombasa. Kaloleni CDF paid the family of one Masha Kisiwa a total of KShs. 5,020,000 for the said piece of land. The issue was discussed by the County Council of Kilifi on 17th October 2012 and recommended the approval of the setting a part of the subject land for the said purpose. The University was to facilitate the transfer of title for the said land into its name. The University having obtained the approval of the CDF and having been given the surveyors report of the said land proceeded in fencing of the plot to secure the property. The tender process begun and the Contractor was engaged. The Contractor had already constructed the gate house for the University when an issue arose over the beacons pertaining to the said land. It was then that the matter was brought to the attention of the University Council. The Council deliberated over the issue extensively after receiving a report on the process of obtaining the title from the Kayafungo Group Ranch which had the head title to the piece of land. The Council then felt that the pursuit of Gotani land be abandoned due to the lengthy and expensive process of obtaining the title. They directed that there be no further expenditure on the land and that the Contract be terminated. The Contractor was paid for the work done amounting to KShs. 6,930,750.			When PIC appoints time for TUM.